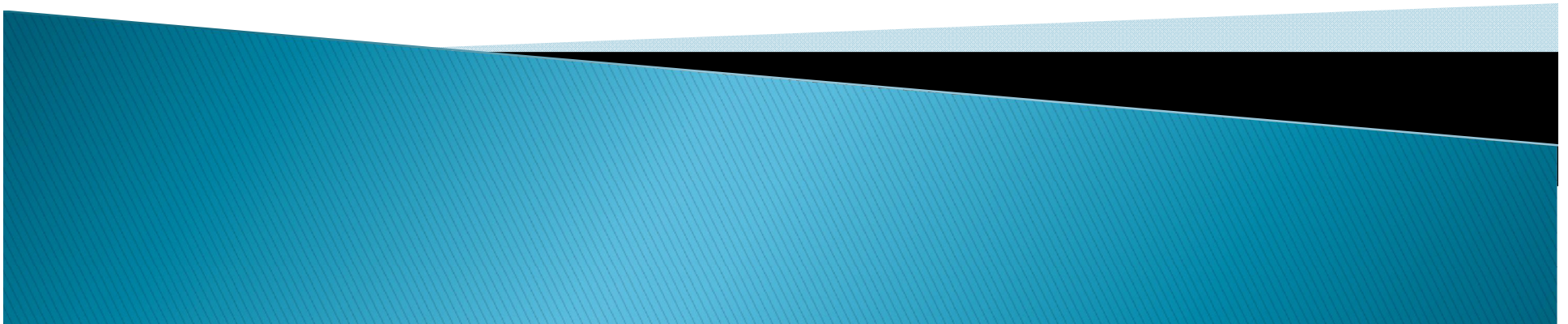


Update on Shrimp Trade Issues for 2017

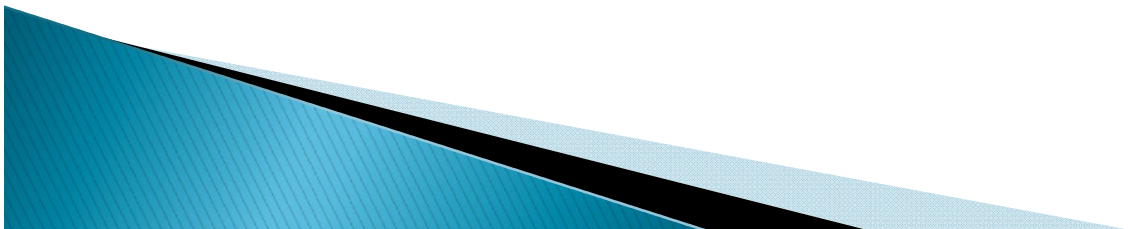
Presentation to the American Shrimp Processors Association

Stewart and Stewart
April 7, 2017



Overview

- I. Update on CDSOA
- II. Antidumping Orders
- III. Second Sunset Review
- IV. Review of Recent Trade Trends and Opportunities



I. CDSOA

\$838,834 distributed in 2016

\$1.2 million left in clearing accounts

Ecuador	\$11,336.05
Brazil	\$0.00
India	\$232,544.38
Thailand	\$437,543.73
Vietnam	\$226,459.19
China	\$286,477.51
Total	\$1,194,360.86

II. AD Orders

▶ POR 7 (2011/2012):

- India litigation re targeting – ASPA prevailed in defending Commerce’s final results at the Court of International Trade.
- The case is now on appeal at the Federal Circuit. Oral Argument was held on March 8.

▶ POR 8 & 9 (2012/2013 and 2013/2014):

- Commerce started using the differential pricing test.
- The Court of International Trade has so far upheld Commerce, but an appeal is pending at the Federal Circuit.
- The Court has also remanded a surrogate labor value issue in the Vietnam POR9 review to Commerce. Results are due May 1.

II. AD Orders

▶ POR 10 (2014/2015):

- Final results were released in 2016. Indian and Vietnamese respondents filed appeals that are pending.

▶ POR 11 (2015/2016):

- Final results for Vietnam were published in February. Preliminary results for India and Thailand were released in March, and briefing will be due in April and May.

▶ POR 12 (2016/2017):

- Requests for review were filed on China, India, Thailand, and Vietnam at the end of February.

III. Second Sunset Review

- ▶ The second sunset review was instituted March 1, 2016
- ▶ Commerce determined dumping is likely to continue or recur if the orders are revoked
- ▶ The ITC is now determining if material injury is likely to continue or recur if the orders are revoked
- ▶ Both agencies must rule in the affirmative for the orders to stay in place

III. Second Sunset Review

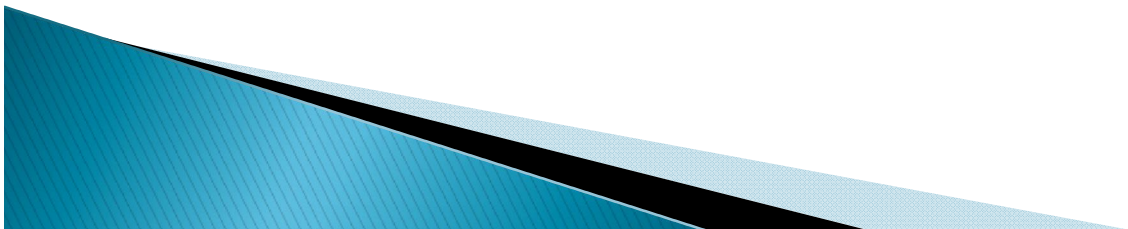
- ▶ Commerce conducted an expedited review on all countries except Vietnam, on which it conducted a full review
- ▶ Commerce found dumping was likely to continue or recur at up to the following rates:
 - Brazil: 67.80%
 - China: 112.81%
 - India: 110.90%
 - Thailand: 5.34%
 - Vietnam: 25.76%

III. Second Sunset Review

- ▶ ASPA has been an active participant at the ITC
 - 35 processors returned questionnaires, accounting for the vast majority of domestic production
 - ASPA member hosted a site visit for ITC staff in December
 - March 6: Pre-Hearing Brief
 - March 16: ITC Hearing with 3 ASPA witnesses
 - March 27: Post-Hearing Brief
 - 4 public officials testified, others submitting written testimony or letters

III. Second Sunset Review

- ▶ Factors the ITC considers in a sunset review:
 - Whether to cumulate all five countries or examine some separately (no discernible adverse impact)
 - Likely volume of subject imports:
 - Likely increases in production capacity or unused capacity in the five countries
 - Existing inventories or likely increase in inventories
 - Third-country barriers
 - Product-shifting



III. Second Sunset Review

- ▶ Factors the ITC considers in a sunset review:
 - Likely price effects of subject imports
 - Underselling
 - Price suppression or depression
 - Likely impact on the domestic industry
 - Vulnerability of the domestic industry
 - Negative effects on production, sales, market share
 - Negative effects on employment and wages
 - Negative effects on profits and investment

III. Second Sunset Review

Indicator	2001 to 2003	2013 to 2015
Consumption	20.4%	15.4%
Subject Import Volume	38.5%	13.1%
Subject Import Market Share	7.8 ppt	-0.7 ppt
Domestic Market Share	-3.3 ppt	-1.5 ppt
Domestic Landings	-0.8%	4.9%
Processors' Production	-3.4%	4.4%
Processors' Employment	-25.9%	2.8%
Processors' Hours	-12.3%	3.2%
Processors' Wages	-7.1%	3.5%

III. Second Sunset Review

	2013	2014	2015	Jan-Sep 15	Jan-Sep 16
Consumption	1,121,100	1,262,018	1,294,273	894,582	921,279
U.S. %	11.2	9.3	9.7	7.7	6.5
Subject %	35.3	33.2	34.6	34	38.1
Nonsubject %	53.5	57.5	55.7	58.3	55.4
Import %	88.8	90.7	90.3	92.3	93.5
Landings	125,377	117,060	125,688	68,951	60,149
Processors' Capacity	390,352	396,707	404,655	295,859	296,422
Production	138,448	144,410	144,547	101,009	109,137
Cap. Util %	35.5	36.4	35.7	34.1	36.8
U.S. Sales Quantity	146,529	136,603	146,159	102,581	113,226
U.S. Sales Value	684,354	752,391	587,497	417,893	460,286
\$/LB	\$4.67	\$5.51	\$4.02	\$4.07	\$4.07
Ending inventory	22,938	29,871	27,886	25,285	22,035
Production workers	1,272	1,344	1,308	1,240	1,248
Sales revenue	689,204	757,908	591,210	428,770	476,886
Operating Income	5,199	5,144	4,063	-1,817	10,463
Net Income	4,344	6,280	231	-3,120	13,162
Cap Ex	6,187	7,790	5,263	4,231	6,417
Unit Operating Income	\$0.04	\$0.04	\$0.03	(\$0.02)	\$0.09
COGS/sales	91.3	92.1	89.6	91.1	89
OI/sales	0.8	0.7	0.7	-0.4	2.2
NI/sales	0.6	0.8	0	-0.7	2.8

III. Second Sunset Review

► Issues of contention:

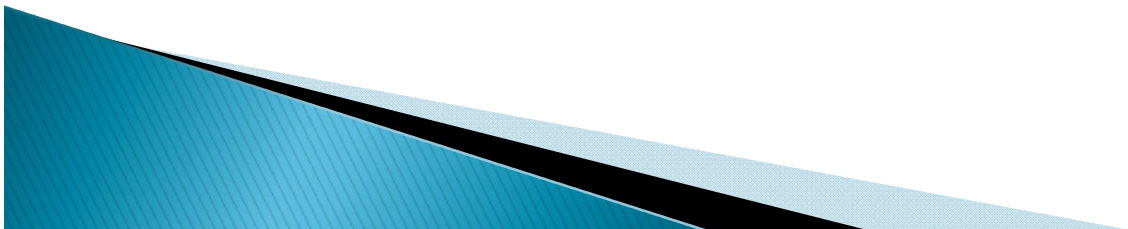
- Whether imports from Brazil should be cumulated
- Whether competition between domestic and imported shrimp is attenuated
- Whether the domestic industry has the ability to produce more shrimp
- Whether the U.S. remains an attractive market
- Whether domestic prices are impacted by import prices or other factors
- Whether imports are likely to undersell domestic prices
- Whether any increase in subject imports after revocation would come at the expense of domestic producers or other import sources
- Whether the shrimp industry is inherently a low-margin industry, and how to take BP payments into account
- How to interpret the negative Commission vote in 2013

III. Second Sunset Review

- ▶ The record will close on April 19, and ASPA will have the opportunity to submit final comments on April 21
- ▶ The ITC vote is scheduled for May 2
- ▶ Only 3 affirmative votes are required, but the Commission only has 5 of its 6 Commissioners
 - Williamson: Affirmative in 1st Sunset and in 2013
 - Broadbent & Johanson: Negative in 2013
 - Schmidlein & Kieff: 1st shrimp case

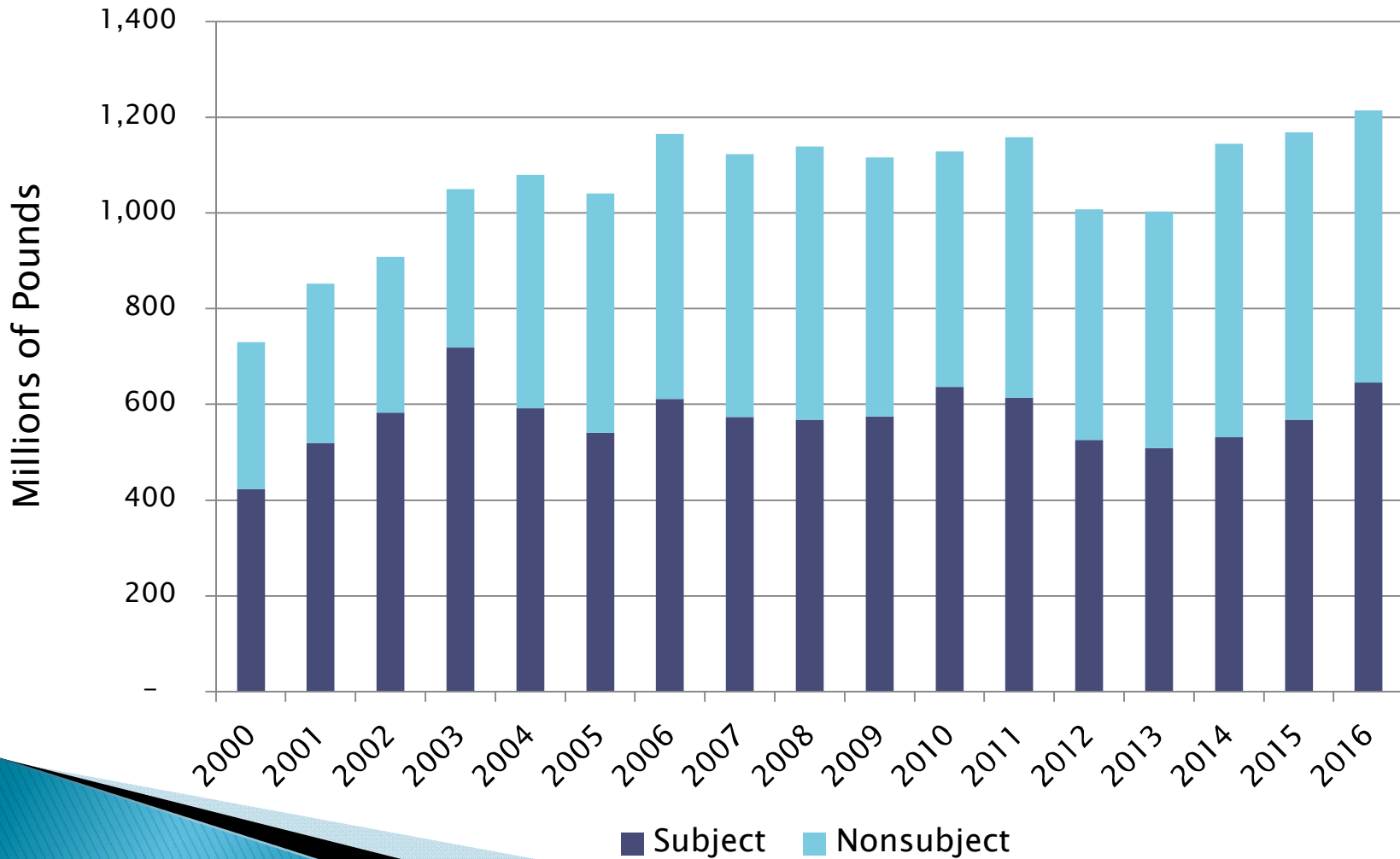
IV. Trends and Opportunities

- ▶ Imports rose sharply in 2014 and continued to grow in 2015 and 2016
- ▶ Total imports are basically flat in first two months of 2017 compared to last year, though imports from India are up 33%
- ▶ Import prices fell sharply in 2015 and are still low in 2016

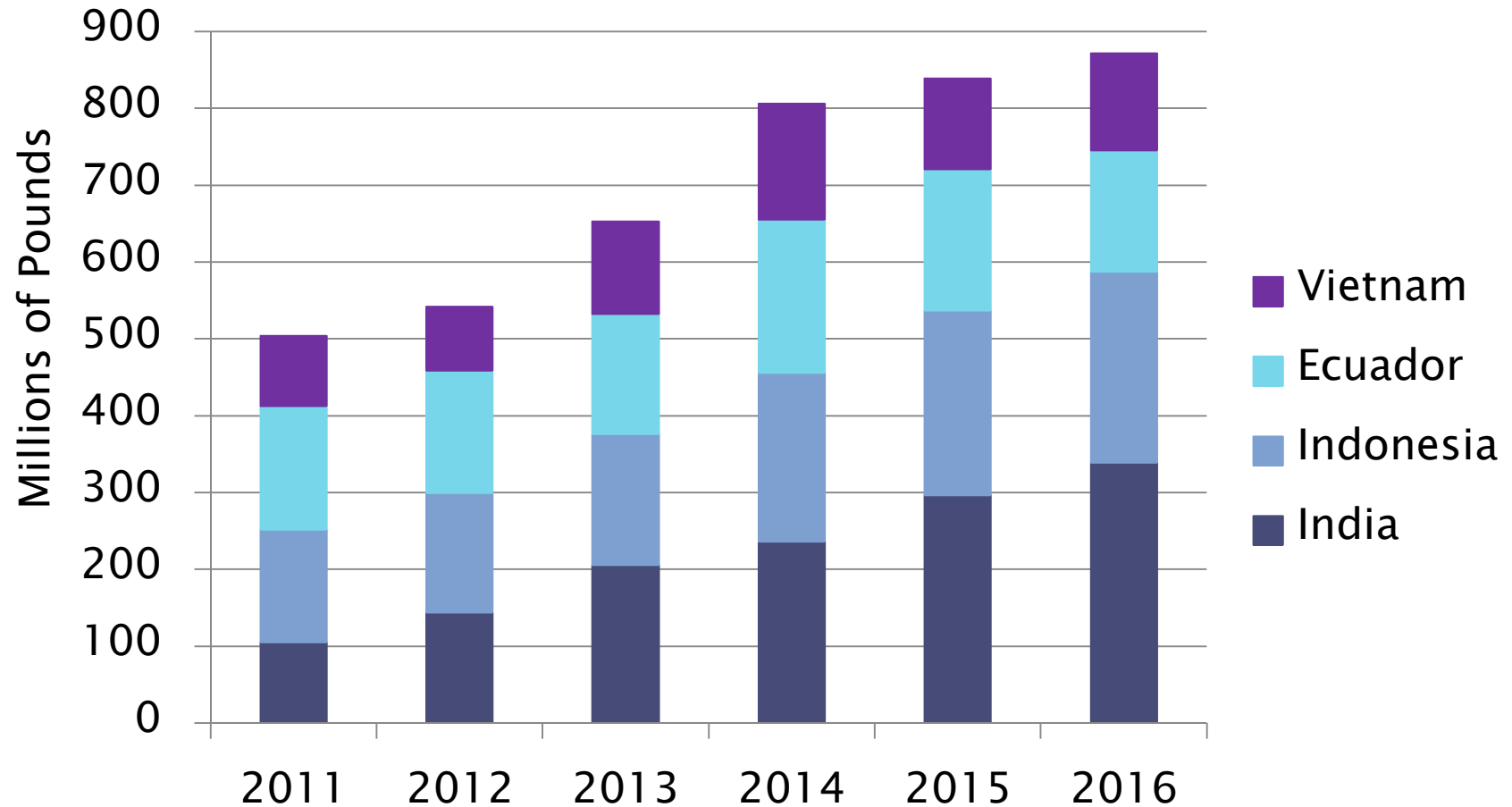


IV. Trade Trends

Total U.S. Shrimp Imports

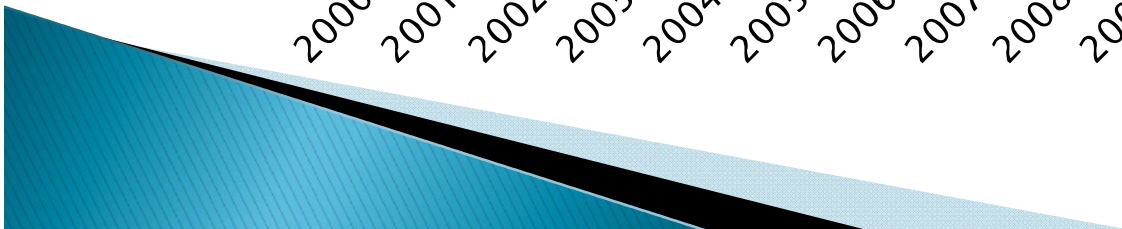
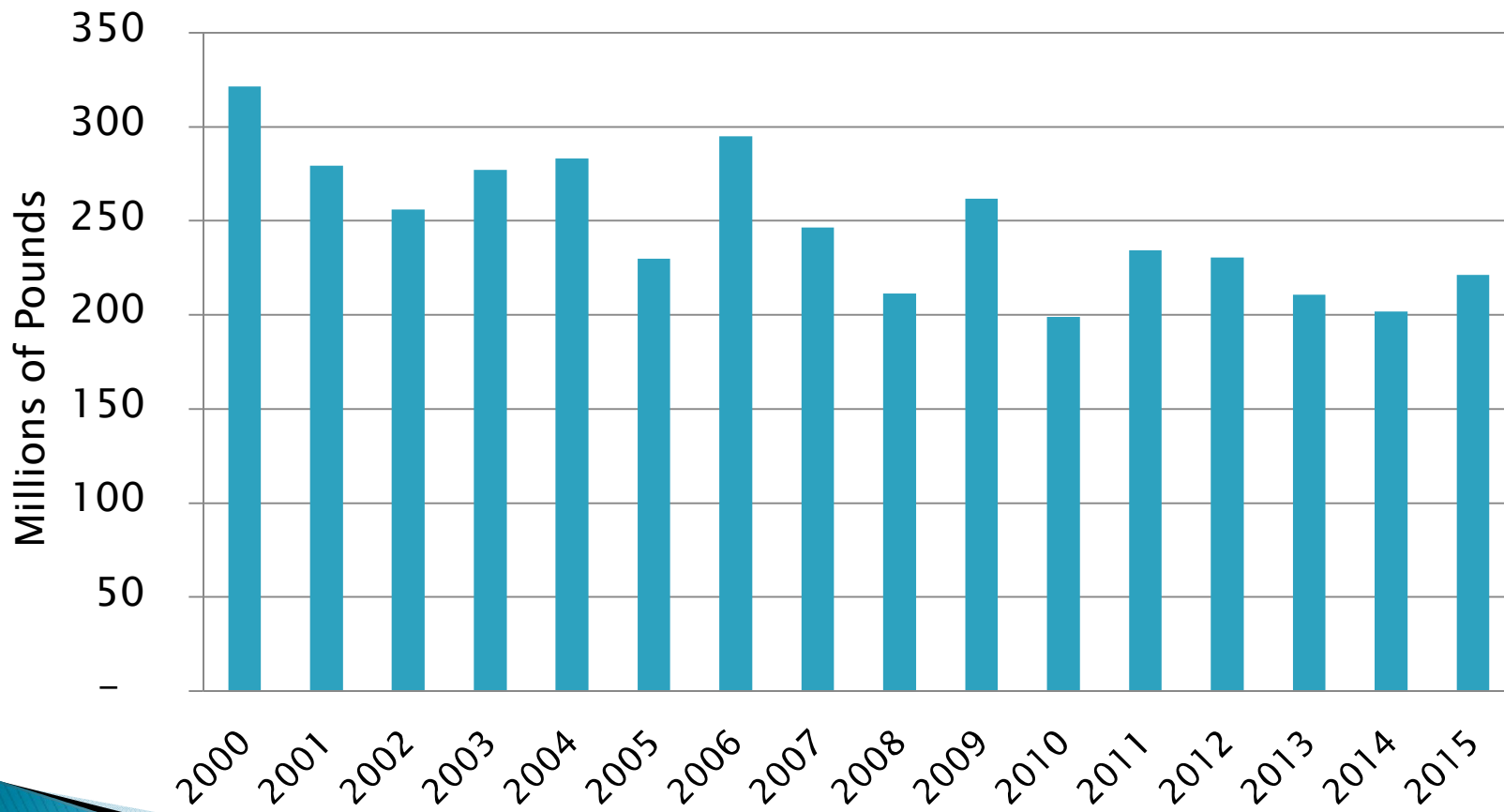


IV. Trade Trends



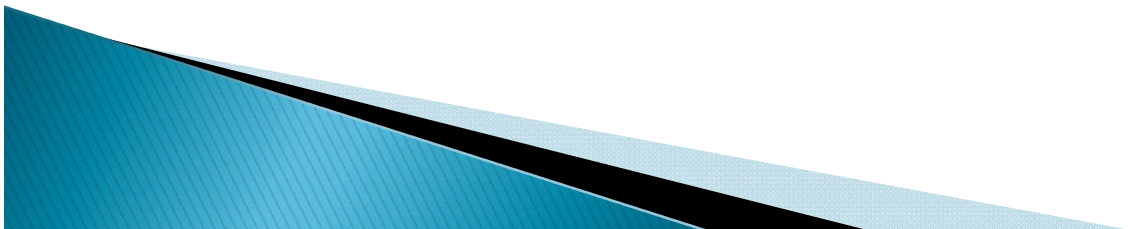
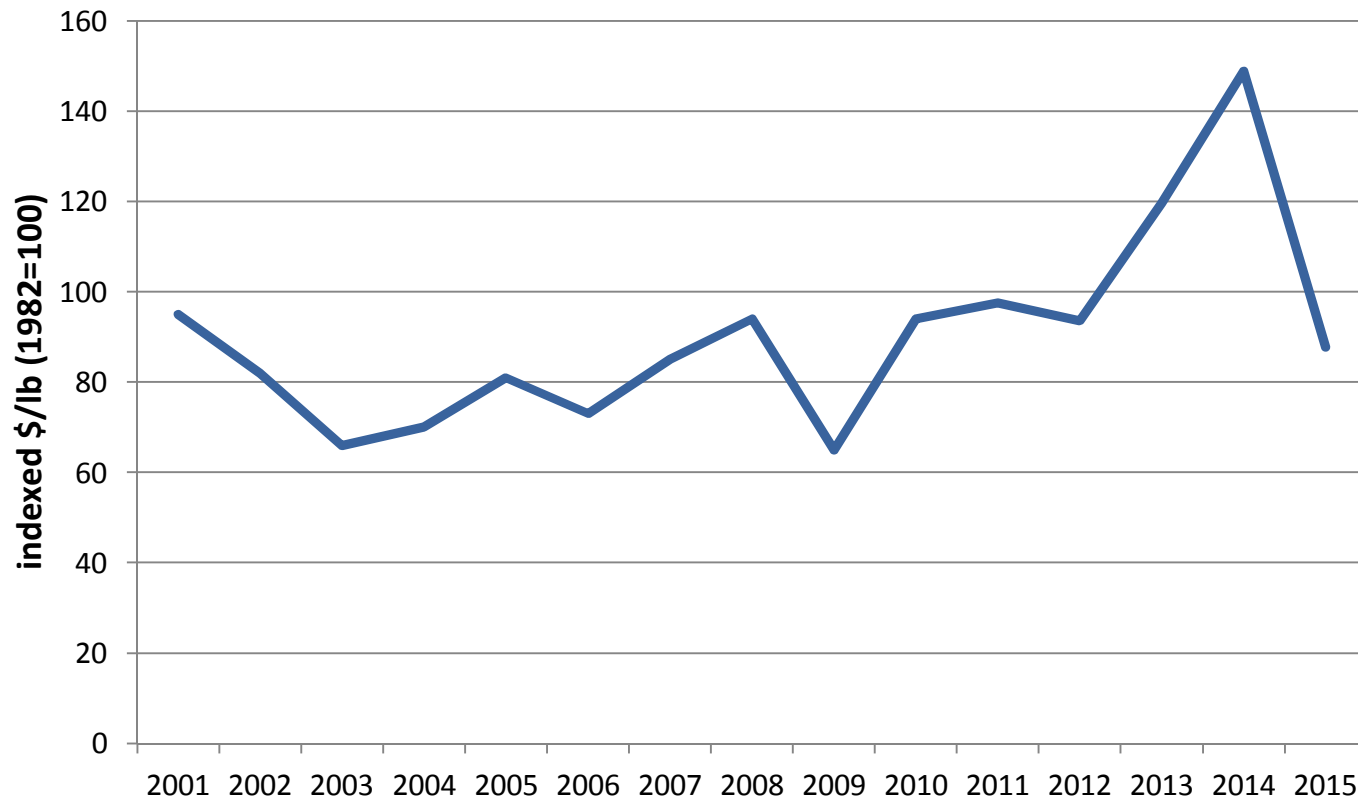
IV. Trade Trends

U.S. Shrimp Landings



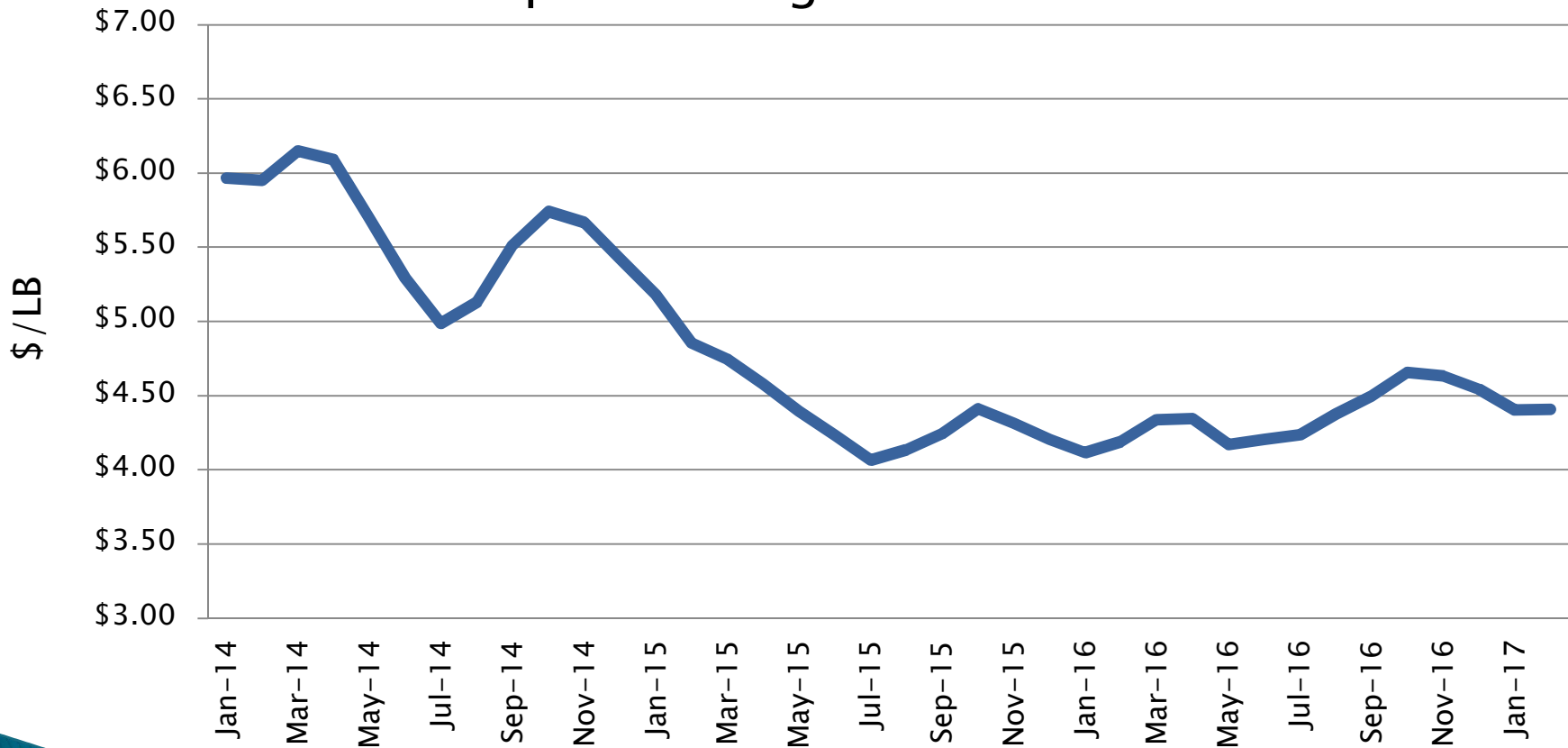
IV. Trade Trends

Indexed Ex-Vessel Shrimp Prices



IV. Trade Trends

Import Average Unit Values



IV. Opportunities

- ▶ Opportunities based on final sunset record
- ▶ China NME Status
- ▶ Changed circumstances reviews for excluded companies (India)
- ▶ Addressing Circumvention
 - EAPA Allegations
 - False Claims Act
 - Administrative reviews
- ▶ Forced labor issues